GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

STARRED QUESTION NO:661
ANSWERED ON:12.05.2005
STRENGTHENING OF DISTRIBUTION NETWORK
Ponnuswamy Shri E.;Vallabbhaneni Shri Balashowry

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Government has drawn elaborate guidelines to stop diversion of kerosene oil supplied through PDS for adulteration of diesel and petrol and to strengthen the distribution network of subsidized kerosene as reported in Asian Age daily dated April 7, 2005;

(b) if so, the details thereof; and

(c) the punitive action proposed in case of any violation/case of adulteration is detected?

Answer

MINISTER OF PETROLEUM & NATURAL GAS & PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR)

(a) to (c) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) OF THE LOK SABHA STARRED QUESTION NO.661 BY SHRI BALASHOWRY VALLABHANENI & SHRI E. PONNUSWAMY TO BE ANSWERED ON 12TH MAY, 2005 REGARDING STRENGTHENING OF DISTRIBUTION NETWORK.

(a) & (b) : Government/Oil Marketing Companies (OMCs) already have in place the following major measures to contain adulteration:

(i) As advised by Government, OMCs have established separate wings, to report to a Director other than Director (Marketing), to specify norms and guidelines as well as oversee and monitor all activities and operations which could lead to adulteration;

(ii) The import of Superior Kerosene Oil (SKO) has been canalized through OMCs to curb the misuse / diversion of SKO by parallel marketeers;

(iii) OMCs have introduced new tamper-proof tank-truck locking systems to prevent en route adulteration by transporters;

(iv) OMCs are introducing retail automation to monitor the level of fuel tanks in retail outlets as also IT solutions like monitoring the movement of tank- trucks through the Global Positioning System (GPS);

(v) OMCs have initiated the branding of Retail Outlets and third party certification, both of which measures are expected to contribute to the curbing of adulteration.

These and other measures to check adulteration are kept under continuous review of the Government, Besides the measures already in place, Government have recently approved an innovative pilot project of the Ministry of Petroleum & Natural Gas for radically revamping the PDS kerosene distribution network with the primary objective of ensuring that this heavily subsidized project is actually made available in the required quantities at subsidized prices to the intended beneficiaries; and, secondly, to thus cap, reverse and eventually eliminate the diversion of PDS SKO for adulteration. The pilot project is to be implemented in 10% of the blocks of the country for a period of six months. Thereafter, the working of the scheme would be independently assessed and, based on the experience gained, Government will consider scaling up the scheme to cover the entire country.

The principal features of this innovative pilot project are summed up below:

(i) OMCs will establish at least one SKO dealership in each of the country's development blocks (at present, less than half the blocks are covered and there is disproportionate, often multiple concentration, in urban blocks);

(ii) In consultation with the District Administration and the wholesale dealer, about 5-10 sub-wholesale points will be located in each

block;

(iii) There will be a dedicated fleet of tanker-trucks (TTs) for transportation of PDS kerosene to ensure widespread public information and transparency as these TTs will prominently display the special logo that is being devised for the dedicated fleet. It will be clearly written on the outside of the TT that it is transporting kerosene meant for the Public Distribution System;

(iv) To bring storage dispensing services at SKO dealerships at par with the modern facilities provided at petrol and diesel outlets by OMCs at their own expense, the Ministry's Oil Industry Development Board (OIDB) will fund OMCs to ensure the installation of the following facilities at each of the dealerships covered under the pilot projects:

- storage tanks with a minimum capacity of 20 KLs
- electronically metered dispensing pumps
- an adequate number of barrels, appropriately decorated with the special logo, for the delivery of SKO to sub-wholesale points
- one or more barrel sheds;

(v) Supplies to sub-wholesale points will be made under the direct supervision and responsibility of the OMCs, who will provide an adequate number of barrels, decorated with the special logo, at the sub-wholesale point for the convenient and assured transportation of PDS SKO to the retail points. Similar logos will be displayed on vehicles transporting PDS SKO from wholesale to sub-wholesale points and from there to retail points at Fair Price Shops;

(vi) At each Fair Price Shop, PDS SKO will be stored in barrels with clearly identified logos which the general public can access to determine for themselves the balance availability of PDS SKO at that Fair Price Shop;

(vii) In consultation with State Governments, Panchayats and Gram Sabhas will be empowered to generally supervise the availability of PDS SKO and at subsidised prices, and a reporting mechanism will be put in place for Panchayats / Gram Sabhas to report any deficiencies to the State Administration and the OMCs concerned.

The details of the implementation mechanism are being worked out with the authorities concerned. It is hoped this will lead to a significant breakthrough in the delivery of subsidized SKO to the entitled segments of society and thus contribute to the curbing of diversion for adulteration.

Over and above these measures, the Ministry have commissioned the National Council of Applied Economic Research (NCAER) to prepare the first-ever scientific study of the demand for PDS kerosene in the country with a view to thereafter putting in place a comprehensive and rational policy for meeting the genuine requirements of PDS kerosene for entitled beneficiaries on a country-wide scale.

(c) Punitive action against adulteration is taken by the Government / Public Sector Oil Marketing Companies (OMCs) under the following provisions:

(i) In accordance with the Control Orders issued by the Government under the Essential Commodities Act, 1955, to prevent fuel adulteration, State Governments are empowered to take action against those indulging in adulteration. Government have repeatedly urged State Governments / Union Territory Administrations to step up inspections/surprise checks to ensure that adulteration related activities are minimized and to exercise vigil/conduct inspections at various private firms, factories, processing units etc., under their jurisdictions to identify the perpetrators of adulteration and take stringent action against them within the available legal framework.

(ii) OMCs undertake regular and surprise inspections of Retail Outlets and also take action under Marketing Discipline Guidelines (MDG) and Dealership Agreements against those indulging in adulteration and malpractices. MDG provide for penalty of termination of dealership in cases of adulteration being established.